

PUBLIC DISCLOSURE

October 20, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Sunflower Bank, National Association
Charter Number 4742
2090 South Ohio
Salina, Kansas 67401**

**Supervisory Agency: Office of the Comptroller of the Currency
Kansas City North - Salina Office
1516 East Iron Avenue
Salina, Kansas 67401-3236**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.
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GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

Block Numbering Area (BNA) or Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT or BNA has defined boundaries per 10-year census and an average population of 4,000.

Community Development Purpose - A community development purpose is defined per 12 C.F.R. 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. 121.802(a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2901, as amended, and 12 C.F.R. 25, as amended.)

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)*

Income Levels - These relate to individuals, families, the CTs in an MSA or BNAs in nonMSA areas.

Low = An income level that is less than 50% of the median income.

Moderate = An income level that is at least 50% and less than 80% of the median income.

LMI = An income level that is less than 80% of the median income.

Middle = An income level that is at least 80% and less than 120% of the median income.

Upper = An income level that is 120% or more of the median income.

Median Family Income - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Sunflower Bank, National Association, Wichita, Kansas = Sunflower.

Sunflower Banks, Inc. = SBI. SBI is the parent company of Sunflower.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Small Business or Small Farm - A business or farm that has \$1,000,000 or less in gross annual revenues.

Small Loan to a Business or Farm - A loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Sunflower Bank, National Association, Salina, Kansas (Sunflower)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 20, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: Sunflower is rated **"Satisfactory"** because it:

- C Originated a high volume of HMDA, small business and small farm loans in its AAs, which included good penetration of borrowers with different income levels and businesses and farms of different revenue sizes.
- C Showed good penetration of LMI geographies for HMDA and small farm, but significantly lower penetration for small business loans.
- C Made an adequate level of qualified community development investments and grants considering the opportunities available.
- C Provided accessible retail delivery systems and community development services which specifically benefitted LMI persons, small businesses and community development organizations.

The following table indicates the performance level of **Sunflower** with respect to the lending, investment and service tests.

Performance Levels	Sunflower Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs To Improve			

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Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Sunflower Bank is a \$621 million full-service bank headquartered in Salina, Kansas. The bank has 21 branches located in 13 communities across central and western Kansas. Sunflower has historically grown by acquiring banks new markets. The bank expanded into two new markets during the past two years, acquiring the People's State Bank in Ellinwood, KS in April 1996 and Bank of the Southwest in Dodge City, KS in April 1997. Sunflower Banks, Inc. one-bank holding company, owns 100% of the bank.

Sunflower has eleven assessment areas all within the state of Kansas. They are: a portion of Sedgwick County of the Wichita MSA (#9040), and the following nonMSA Counties of Barton, Ellis, Ford, Geary, McPherson, Osborne, Russell, Saline and Thomas. The bank's Manhattan AA includes Riley County and one CT in Pottawatomie County. The following table shows the percentage of the bank's loans and deposits attributed to each AA based on bank provided information as of June 30, 1997.

Assessment Area County - City	Total Loans (in Millions)	% of Total Loans	Total Deposits (in Millions)	% of Total Deposits	Loan to Deposit Ratio
Wichita MSA (32 CTs of Sedgwick County)	\$35	8%	\$35	5%	99.8%
Barton County - Ellinwood/Great Bend*	\$32	8%	\$46	9%	69.3%
Ellis County - Hays/Victoria	\$30	7%	\$53	10%	57.0%
Ford County - Dodge City**	\$48	11%	\$50	10%	96.5%
Geary County - Junction City	\$13	3%	\$28	5%	46.8%
McPherson County - McPherson	\$16	4%	\$22	4%	71.0%
Osborne County - Osborne	\$9	2%	\$23	4%	38.6%
Riley/Pottawatomie Counties - Manhattan	\$34	8%	\$26	5%	132.7%
Russell County - Russell	\$18	4%	\$48	9%	36.6%

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Assessment Area County - City	Total Loans (in Millions)	% of Total Loans	Total Deposits (in Millions)	% of Total Deposits	Loan to Deposit Ratio
Saline County - Salina	\$166	39%	\$143	28%	116.2%
Thomas County - Colby	\$23	5%	\$44	8%	51.7%
Total	\$423	100%	\$517	100%	81.9%

* Acquired April 1996.

** Acquired April 1997.

As shown in the table, the largest portion of the bank's loans and deposits is attributed to Saline County where the bank is headquartered. Ninety-two percent of the bank's loans and 95 percent of the bank's deposits, by dollar volume, is attributed to the nonMSA AAs where the bank operates.

Sunflower Bank has the financial capacity to assist in meeting the community's credit needs. There are no legal or financial barriers which impede its efforts. The bank offers a full-range of credit products including agricultural, real estate, commercial, and consumer loan products. The bank's primary business focus is commercial and residential real estate loans, though agricultural loans comprise a more significant portion of the bank's lending in its AAs located west of Salina. As of June 30, 1997, the bank's loan portfolio consisted of 37 percent commercial, 35 percent 1-4 family residential, 15 percent consumer and 13 percent agricultural. The bank's net loan-to-deposit ratio averaged 72 percent over the last eight quarters. Sunflower had the highest average net loan-to-deposit ratio of the four banks headquartered in Saline County. The other banks' net loan-to-deposit ratios averaged from 44 percent to 71 percent over the same time period. The OCC assigned a CRA rating of "Outstanding Record of Meeting Community Credit Needs" during the last CRA evaluation dated September 7, 1994. The 1994 examination was performed under the prior CRA regulation and used twelve assessment factors to evaluate performance.

ASSESSMENT AREAS

Following are more detailed descriptions of the MSA and nonMSA areas which the bank serves. Sunflower has 19 branches in its ten nonMSA AAs and two branches in its Wichita MSA. Demographic information presented in this Performance Evaluation is based on 1990 U.S. Census information unless otherwise indicated.

Wichita MSA (#9040) - Sedgwick County AA (32 CTs of the Wichita MSA)

The bank's AA includes 32 CTs of Sedgwick County in the east central portion of the Wichita MSA. These CTs were designated 22 percent low-, 16 percent moderate-, 38 percent middle- and 25 percent upper-income per the 1990 Census. The AA had a population of 112,477. By income level, families were designated as 24 percent low-, 17 percent moderate-, 21 percent middle- and 38 percent upper-income. Fourteen percent of the households were living below poverty. The 1990 HUD MSA median family income for the Wichita MSA was \$35,931. In 1996 and 1997, the updated HUD MSA median family income levels were \$44,500 and \$45,800, respectively.

Wichita is the largest city in the MSA with a population of approximately 300 thousand. It is known as the air capital

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of the world, headquartering several general aviation manufacturers, including Boeing, Raytheon, Cessna and Learje Boeing is the largest local employer with over 15 thousand employees. The economy is good and unemployment is below the national average. The economy is diversified through the manufacturing, petroleum refining, wholesale and retail trade, services and agricultural industries. Numerous financial institutions and mortgage companies provide stiff competition in the Wichita MSA.

We reviewed four community contacts which we had made with government officials and community organizations since the last examination. These contacts indicated a need for affordable home loan products with flexible underwriting, down payment assistance, consumer and small business loans. The Northeast Wichita area is predominately LMI and a local Community Development Corporation is working to facilitate the development of low income housing and economic development in this area.

NonMSA AAs

Sunflower currently has ten nonMSA AAs. The following table shows the demographics of each AA.

NonMSA AAs County Name	Population	% Families by Income Level				CTs/BNAs (Number and Percentage by Income Level)							
		Low	Mod	Mid	Up	Low		Moderate		Middle		Upper	
						#	%	#	%	#	%	#	%
Barton	29,382	16%	19%	24%	40%	0	0%	0	0%	7	88%	1	12%
Ellis	26,004	18%	16%	22%	44%	0	0%	1	20%	3	60%	1	20%
Ford	27,463	15%	19%	21%	44%	0	0%	0	0%	4	67%	2	33%
Geary	30,453	23%	23%	23%	31%	0	0%	3	38%	3	38%	2	25%
McPherson	27,268	11%	17%	24%	48%	0	0%	0	0%	5	71%	2	29%
Osborne	4,867	23%	24%	26%	27%	0	0%	1	50%	1	50%	0	0%
Riley/ Pottawatomie	71,728	17%	20%	22%	41%	1	9%	2	18%	5	46%	3	27%
Russell	7,835	20%	21%	25%	34%	0	0%	1	33%	2	67%	0	0%
Saline	49,301	15%	17%	24%	44%	0	0%	3	25%	3	25%	6	50%
Thomas	8,258	17%	22%	26%	35%	0	0%	0	0%	3	100%	3	100%
Total	282,559	17%	19%	23%	41%	1	2%	11	17%	36	55%	17	26%
Total (Excluding Ford County)	255,096	17%	19%	23%	41%	1	2%	11	19%	32	54%	15	25%

The combined demographics for the nonMSA AAs are shown in the “Total” line. For our lending analysis, we

considered the nonMSA demographics excluding Ford County since it was acquired in April 1997 and is not include in the lending data. The combined demographics for the nine nonMSA AAs which we used for our analysis is show the table as "Total Excluding Ford County." This combined area included 59 CTs. The income designations of the CTs/BNAs as well as the income levels of the families living in these nonMSA AAs are shown in the previous table. Sixteen percent of the families were living below poverty. The updated HUD median family income for the statewide nonMSA portion of Kansas was \$34,300 for 1996 and \$36,100 for 1997.

The economies of the nonMSA communities are generally good. Most have some diversification in various industries though several are impacted by the agricultural sector due to their rural locations. Housing shortages exist in several of the communities, especially for LMI families, due to high construction costs. Several of the communities have older housing stock which is in need of rehabilitation.

We reviewed seventeen community contacts which had been made since the last examination in the nonMSA market which the bank serves to determine the credit needs of the communities. We made four additional contacts in the Salina AA. The contacts we made and reviewed included communications with local government officials, community and economic development organizations and local realtors. Primary credit needs identified included: affordable housing loans, loans for housing rehabilitation, small business loans and agricultural loans.

SCOPE OF EXAMINATION

We evaluated Sunflower's CRA performance using the FFIEC Interagency Large Bank CRA Examination Procedure. This evaluation covers the time period from the last CRA evaluation, September 7, 1994 to the date of this evaluation. We reviewed HMDA, small business and small farm loan data which the bank is required to collect. We analyzed the data for calendar year 1996 through June 30, 1997. We focused our review on the following AAs: Saline County, Sedgwick County, Ellis County, Riley/Pottawatomie County and Geary County. Combined, these AAs contributed 8 percent of the bank's HMDA originations, 55 percent of small business loan originations and 29 percent of small farm loan originations for the time period analyzed.

We are required by the new CRA regulation to present conclusions for the performance tests which provide the basis for the bank's overall CRA rating. We are also required to present facts and data which support our conclusions for each of the performance tests, separately for each MSA where Sunflower has at least one branch, though Sunflower is not a significant lender in its Wichita MSA AA. Based on June 1995 information on branch deposit market share, Sunflower captured less than one percent of the deposits in the Wichita MSA. Since a substantial portion of the bank's loans and deposits are attributed to the nonMSA portion of the bank's AAs, we have presented the combined lending data for the nonMSA AAs first and the MSA data second. We have also highlighted performance in individual nonMSA AAs when the performance is significant to our overall conclusions. The bank's performance in its Salina AA weighed more heavily in the overall rating since the largest portion of the bank's loans and deposits are attributed to the Salina AA. Loan data for the Dodge City AA was not available due to the recent acquisition of this market. The prior bank, due to its size and nonMSA location, was not required to collect lending data. Therefore, we excluded the Dodge City AA from our HMDA, small business and small farm loan analysis.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Sunflower's lending levels reflected a high level of responsiveness to the AAs' mortgage and small business credit needs. The bank originated a significant portion of its HMDA, small business and small farm loans within its AAs. Sunflower effectively originated HMDA loans to LMI borrowers and loans to businesses of different sizes. The bank's distribution of loans among geographies of different income categories is less strong, however, there are not a significant number of CTs at the low- and moderate- income levels in the bank's AA, particularly in the nonMSA portion of the market. Following are conclusions regarding the bank's lending activity for HMDA, small business and small farm products.

LENDING ACTIVITY:

HMDA Lending:

Sunflower's HMDA lending levels, by number and dollar volume, reflect excellent responsiveness to its AAs housing credit needs. The following tables show the number and dollar volume of HMDA loans which Sunflower originated within its nonMSA AAs and its MSA AA (Sedgwick County) for 1996 and 1997 through June 30. These two tables combined represent the total HMDA originations for Sunflower during this time period. We omitted the multi-family HMDA loan category since the bank did not originate any multi-family loans during this time period.

Combined NonMSA AAs - All HMDA Loans

LOAN TYPE	1996		1997 (through June 30)	
	#	\$ (000)	#	\$ (000)
Home Purchase	273	18,990	217	13,294
Refinance	194	12,552	190	11,740
Home Improvement	223	2,123	122	1,121
Totals	690	33,665	529	26,568

The bank made 97 percent of its total HMDA loans in its nonMSA AAs from January 1, 1996 through June 30, 1997. Sixty-four percent of the HMDA loans originated in the Salina and Hays AAs where the bank is a leader in mortgage lending. Based on information from Saline County, Sunflower filed the second highest number of real estate mortgages in Saline County in 1996. The bank filed 301 real estate mortgages with an average dollar amount of \$61,983. This represented 15 percent, by number, of all real estate mortgages filed. The lender with the highest volume is primarily a real estate lender with over 70 percent of its loan dollars in residential real estate loans. This competitor filed 42 percent of the real estate mortgages with an average amount of \$58,120. For 1997, thru mid-July, Sunflower filed the third highest number of real estate mortgages, though it actually gained in its percentage of the overall filings. Sunflower filed 21 percent of the County's real estate mortgages for an average amount of \$59,813. The lender with the highest

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volume filed 30 percent of the real estate mortgages with an average amount of \$58,296.

For the Hays AA, Sunflower has been the leader in mortgage filings in Ellis County since February 1997 contributing 28 percent of the 520 mortgage filings from February to July 1997. Its closest competitor filed 20 percent of the total mortgage filings during this time period. The average size of mortgages Sunflower filed was \$56 thousand which was a smaller dollar average than its closest competitor.

Sunflower is not a significant HMDA lender in its Sedgwick County AA due to its limited locations and the strong competition in the market. The bank made less than 1 percent of the market's total HMDA loans, based on HMDA data reported by all lenders in this AA. Also, of Sunflower's total HMDA loans, only 3 percent, by number, originated within the Sedgwick County AA. The following table shows Sunflower's HMDA lending activity within its Sedgwick County AA.

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Sedgwick County AA (32 CTs of the Wichita MSA) - All HMDA Loans

LOAN TYPE	1996		1997 (through June 30)	
	#	\$ (000)	#	\$ (000)
Home Purchase	5	619	9	720
Refinance	6	338	1	42
Home Improvement	10	37	2	15
Totals	21	994	12	777

Sunflower originates a substantial portion of its HMDA loans within its defined AAs. Based on the total HMDA loans the bank reported for 1996 and 1997, 86 percent, by number, and 80 percent, by dollar volume, originated within the bank's AAs.

Small Business and Small Farm Lending:

Sunflower demonstrated a high level of responsiveness to the small business and small farm credit needs of its AAs. The following tables show the volume, by number and dollar, of small business and small farm loans that the bank originated in 1996 and 1997 through June 30. These tables include loans which originated during this time period under Small Business Administration and Farmer's Home Administration loan programs which are discussed under the Flexible Programs section of this evaluation. These tables show only the loans which were originated within the bank's AAs. Sunflower did not originate any small farm loans in its Sedgwick County AA, however, there are only a small number of farms in this AA.

Combined NonMSA AAs - Small Business and Small Farm Loans

LOAN TYPE	1996		1997 (through June 30)	
	#	\$ (000)	#	\$ (000)
Small Business	537	36,709	232	16,989
Small Farm	411	12,811	206	5,225
Totals	948	49,520	438	22,214

Sedgwick County AA (32 CTs of the Wichita MSA) - Small Business and Small Farm Loans

LOAN TYPE	1996		1997 (through June 30)	
	#	\$ (000)	#	\$ (000)
Small Business	119	7,335	53	2,082
Small Farm	0	0	0	0
Totals	119	7,335	53	2,082

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The U.S. Small Business Administration ranked Sunflower as the number one “Small-Business-Friendly” bank of the three banks in Sunflower’s size category in the state of Kansas in June 1996. This was based on the number and dollar volume of small business loans the bank reported in its June 1996 Consolidated Reports of Condition and Income. The bank has been a small business advocate in its rural communities by extending loans to retain and sustain businesses which provide services which are essential to the viability of the communities. These include: loans which support health care, restaurants, grain elevators and other retail services.

Sunflower made a substantial majority of its small business and small farm loans within its AAs during this evaluation period. The bank made 75 percent, by number, and 67 percent, by dollar volume, of small business loans within its AAs. It made 82 percent, by number, and 69 percent, by dollar volume, of small farm loans within its AAs.

LENDING BY BORROWER CHARACTERISTICS:

Sunflower’s lending distribution shows good penetration among borrowers of different income levels and businesses of different revenue sizes. The following tables show the HMDA, small business and small farm lending data according to the income level of the borrower for HMDA and the business revenue size for small businesses and small farms. We focused on the number of HMDA loans rather than the dollar volume as it more clearly depicts the number of borrowers who have benefitted from HMDA loans. We included demographic information to provide some indication of the potential opportunities for HMDA, small business and small farm loans. For example, for HMDA, we included the percentage of families within the AAs which are considered low-, moderate-, middle- and upper-income. For small businesses and small farms, we included information on the percentage of businesses with revenues of \$1 million or more and over \$1 million which are in the bank’s AAs based on 1995 information from Dun and Bradstreet. For small business and small farm loans, the new CRA regulation focuses on loans to businesses and farms with gross annual revenues of \$1 million or less which originated in amounts of \$1 million or less for small businesses and \$500 thousand or less for small farms.

HMDA: Distribution by Borrower Income

Sunflower’s HMDA lending shows good distribution among borrowers of different income levels, including LMI borrowers. As shown in the following table, the bank made 18 percent of its loans, by number, to LMI borrowers in 1996 and 22 percent in 1997. Combined, the bank made 20 percent of its HMDA loans, by number, to borrowers in the low- or moderate-income category during this time period in its nonMSA markets. This is similar to the percentage of families categorized as low- or moderate-income after considering those low-income families below poverty level

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Combined NonMSA AAs - All HMDA Originations

Borrower Income Level	% Families in AA	1996				1997 (through June 30)			
		# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume	# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume
Low*	17%	29	4%	604	2%	32	6%	805	3%
Moderate	19%	95	14%	2,864	8%	83	16%	2,759	10%
Middle	23%	172	25%	6,232	19%	135	25%	6,117	23%
Upper	41%	394	57%	23,965	71%	279	53%	16,887	64%
NA	0%	0	0%	0	0%	0	0%	0	0%
Total	100%	690	100%	33,665	100%	529	100%	26,568	100%

*Percentage of Families Below Poverty 16 %

For the Sedgwick County AA, the bank made 9 of 33 loans (27 percent) in 1996 and 1997 combined to LMI borrowers. This is comparable to the percentage of LMI families after considering those low-income families below poverty level.

Sedgwick County AA (32 CTs of the Wichita MSA) - All HMDA Originations

Borrower Income Level	% Families in AA	1996				1997			
		# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume	# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume
Low*	24%	2	9%	10	1%	0	0%	0	0%
Moderate	17%	6	29%	171	17%	1	8%	73	9%
Middle	21%	5	24%	84	9%	5	42%	184	24%
Upper	38%	8	38%	729	73%	6	50%	520	67%
NA	0%	0	0%	0	0%	0	0%	0	0%
Total	100%	21	100%	994	100%	12	100%	777	100%

*Percentage of Families Below Poverty 14 %***Small Business Loans: Distribution by Revenue Size***

Sunflower showed good distribution of lending to business of different revenue sizes, with a significant majority of i loans to businesses with revenues of \$1 million or less. The distribution of small business loans to businesses with revenues of \$1 million or less was much stronger in the nonMSA AAs than the Sedgwick County AA. The largest

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number of the bank's small business loans during this evaluation period was attributed to the Salina and Sedgwick County AAs. Each contributed 18 percent, by number, of the bank's small business loans. The following tables show the percentage of the bank's reported small business loans, by number and dollar volume, which were made to businesses with revenues of \$1 million or less for the nonMSA AAs and the Sedgwick County AA. For the nonMSA AAs, the bank made 85 percent of its reported business loans, by number, to businesses with revenues of \$1 million or less. This exceeds the percentage of businesses in the assessment area which report revenues of \$1 million or less (71 percent) based on 1995 Dun and Bradstreet business demographics. The average dollar amount of these loans was \$46,251. This contrasts to the size of the loans to businesses with revenues of over \$1 million which averaged \$197,333.

Combined Non MSA AAs - Small Business Loans - January 1, 1996 - June 30, 1997

Revenue Size in Millions	% of Businesses in NonMSA AAs	# of Loans	% of Loans	\$ Volume of Loans in 000's	% Volume of Loans in 000's
= or < \$1 million	75%	653	85%	30,202	57%
> \$1 million	8%	114	15%	22,496	43%
Unknown Revenues	17%	0	0%	0	0%
Total	100%	767	100%	52,698	100%

For the Sedgwick County AA, the bank's data shows that a much higher portion of the bank's business loans, 71 percent, originated to businesses with revenues in excess of \$1 million. Only 29 percent of the business loans originated to firms with revenues of \$1 million or less which is significantly lower than the percentage of businesses in the AA which have revenues of \$1 million or less (71 percent). However, of the loans originated to businesses with revenue over \$1 million, 73 percent, by number, and 20 percent, by dollar volume, is attributed to dealer financing of numerous small dollar contracts.

Sedgwick County AA (32 CTs of the Wichita MSA) - Small Business Loans - January 1, 1996 - June 30, 1997

Revenue Size in 000's	% of Businesses in AA	# of Loans	% of Loans	\$ Volume of Loans in 000's	% Volume of Loans in 000's
= or < \$1 million	71%	50	29%	3,029	32%
> \$1 million	11%	122	71%	6,388	68%
Unknown Revenues	18%	0	0%	0	0%
Total	100%	172	100%	9,417	100%

Small Farm Loans: Distribution By Revenue Size

Sunflower's distribution of farm loans showed good penetration to farms with revenues of \$1 million or less in its

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nonMSA AAs. The following table shows that 94 percent of the farms in the bank's nonMSA AAs generate revenue of \$1 million or less. The bank made 99 percent of its farm loans in nonMSA areas to farms with revenues of \$1 million or less. The average dollar amount of these loans was \$29,216.

Combined NonMSA AAs - Small Farm Loans - January 1, 1996 - June 30, 1997

Revenue Size in Millions	% of Farms in NonMSA AAs	# of Loans	% of Loans	\$ Volume of Loans in 000's	% Volume of Loans in 000's
= or < \$1 million	94%	611	99%	17,851	99%
> \$1 million	3%	6	1%	185	1%
Unknown Revenues	3%	0	0%	0	0%
Total	100%	617	100%	18,036	100%

GEOGRAPHIC DISTRIBUTION OF LENDING:

Sunflower showed adequate loan penetration throughout its AAs, including in LMI CTs/BNAs. The bank showed better penetration in LMI CTs for HMDA and small farm loans than it did for small business loans. Sunflower met or exceeded the demographics of these CTs for HMDA and small farm loans. However, the bank's small business lending showed significantly lower penetration in LMI CTs/BNAs relative to the demographics of the nonMSA AAs and the Sedgwick County AA. Small business loans, by number, represented the second highest loan product volume that the bank reported during this evaluation period.

HMDA: Geographic Distribution

Sunflower's HMDA loans showed good penetration throughout its nonMSA AAs, including in LMI BNAs/CTs. There is one low-income BNA/CT and 11 moderate-income BNAs/CTs in the bank's nonMSA AAs. The following tables show the distribution of the bank's HMDA lending based on the income level of the BNA/CT. It also shows the percentage of owner-occupied housing within each BNA/CT income level which gives some indication of the potential opportunities within these BNAs/CTs. As the tables show, the percentage of loans, by number, which Sunflower made in moderate-income BNAs/CTs in the nonMSA AAs met or slightly exceeded the percentage of owner-occupied housing in moderate-income BNAs/CTs. Sunflower made 15 percent and 12 percent of its HMDA loans in LMI BNAs/CTs in 1996 and 1997, respectively. Combined HMDA loan data for 1996 and 1997 shows that Sunflower made 14 percent of its HMDA loans in LMI BNAs/CTs which is comparable to the percentage of owner-occupied housing in these BNAs/CTs. We focused on the number of HMDA loans rather than the dollar volume as it more clearly depicts the number of borrowers who have benefitted from HMDA loans.

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Combined NonMSA AAs - All HMDA Originations

BNA/CT Income Level	% of Owner Occupied Housing	1996				1997 (through June 30)			
		# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume	# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume
Low	<1%	9	1%	743	2%	1	<1%	8	<1%
Moderate	14%	98	14%	2,983	9%	65	12%	2,805	11%
Middle	49%	238	35%	9,323	28%	211	40%	8,028	30%
Upper	37%	345	50%	20,616	61%	252	48%	15,727	59%
Total	100%	690	100%	33,665	100%	529	100%	26,568	100%

For the Sedgwick County AA, the percentage of loans made in LMI CTs is lower than the percentage of owner-occupied housing within those CTs, however, the loan volume is not significant.

Sedgwick County AA (32 CTs of the Wichita MSA) - All HMDA Originations

CT Income Level	% of Owner Occupied Housing	1996				1997			
		# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume	# of Loans	% of Loans by #	\$(000's) of Loans	% of Loans by Dollar Volume
Low	14%	2	10%	36	4%	0	0%	0	0%
Moderate	14%	2	10%	122	12%	0	0%	0	0%
Middle	36%	6	28%	86	9%	6	50%	251	32%
Upper	37%	11	52%	750	75%	6	50%	526	68%
Total	100%	21	100%	994	100%	12	100%	777	100%

Small Business Loans: Geographic Distribution

As previously mentioned, the bank's geographic distribution of lending to small businesses was significantly lower than comparable demographics. As shown in the following table, for the nonMSA AAs, 31 percent of all businesses in these AAs are located in moderate-income geographies, while the bank made 18 percent of its small business loans in moderate-income CTs.

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Combined NonMSA AAs - Small Business Loans - January 1, 1996 - June 30, 1997

BNA/CT Income Level	% of Businesses in NonMSA AAs	# of Loans	% of Loans	\$ Volume of Loans in 000's	% Volume of Loans in 000's
Low	<1%	0	0%	0	0%
Moderate	31%	142	18%	8,915	17%
Middle	50%	458	60%	24,782	47%
Upper	19%	167	22%	19,001	36%
Total	100%	767	100%	52,698	100%

For the Sedgwick County AA, the bank matched the demographics for the low-income CTs, making 15 percent of its small business loans in low-income CTs. However, the bank made two percent of its small business loans in moderate-income CTs which is much lower than the percentage of businesses located in these CTs (13 percent).

Sedgwick County AA (32 CTs of the Wichita MSA) - Small Business Loans - January 1, 1996 - June 30, 1997

CT Income Level	% of Businesses in AA	# of Loans	% of Loans	\$ Volume of Loans in 000's	% Volume of Loans in 000's
Low	15%	26	15%	3,535	37%
Moderate	13%	3	2%	54	1%
Middle	31%	14	8%	1,313	14%
Upper	41%	129	75%	4,515	48%
Total	100%	172	100%	9,417	100%

Small Farm Loans: Geographic Distribution

Sunflower exceeded the demographics of its nonMSA AAs with its small farm lending. As shown below, the bank extended 12 percent of its small farm loans in moderate-income geographies which exceeds the percentage of farms located in moderate-income CTs (9 percent).

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Combined NonMSA AAs - Small Farm Loans - January 1, 1996 - June 30, 1997

BNA/CT Income Level	% of Farms in NonMSA AAs	# of Loans	% of Loans	\$ Volume of Loans in 000's	% Volume of Loans in 000's
Low	<1%	0	0%	0	0%
Moderate	9%	76	12%	1,349	7%
Middle	70%	420	68%	11,831	66%
Upper	21%	121	20%	4,856	27%
Total	100%	617	100%	18,036	100%

COMMUNITY DEVELOPMENT LENDING:

Sunflower has made a relatively high level of community development loans in its AAs considering the limited opportunities in the more rural communities it serves and the intense competition in its Wichita MSA AA. Community development loans must meet the community development definition as stated in the new CRA regulation. Refer to Glossary of Terms and Common Abbreviations page for this definition. The bank made seven loans totaling \$11.3 million which qualify under this definition during this evaluation period. These loans support organizations which provide community services that are targeted for LMI individuals; assist with the revitalization or stabilization of LMI areas; provide economic development through financing businesses which are creating jobs for LMI individuals.

The following describes the bank's community development lending efforts. The bank:

- C extended a \$250 thousand construction loan to a developer to construct a child care facility in Junction City. This facility will provide child care for individuals on public assistance so they can transition into the workplace.
- C serves as the lead lender to a local Small Business Development Corporation (SBDC), providing a \$250 thousand working capital line of credit to this entity. The SBDC serves 28 counties in southwest Kansas, including the bank's Wichita and Dodge City AAs, in assisting small businesses in obtaining financing.
- C originated a \$1.2 million loan for the construction/expansion of a medical clinic located in a moderate-income area of Salina. This clinic is the primary facility which serves the LMI residents of this area.
- C provided a \$2 million operating capital loan to a Salina not for profit organization which serves primarily LMI families by providing psychiatric services for children with behavioral problems.
- C provided \$7.5 million in construction and permanent loans to finance the expansion of a business located in an industrial development area of Salina. This expanded facility will create approximately 20 new jobs for LMI workers, in addition to the 120 LMI workers already employed by the company.
- C provided a \$5 thousand loan to a nonprofit organization which serves children of LMI families.

C purchased a \$128 thousand loan participation which was part of a \$15 million revitalization effort of a LMI area in Wichita. The project constructed a new hotel facility in a blighted area and will provide jobs for many LMI individuals.

FLEXIBLE PROGRAMS:

Sunflower offers products with flexible loan terms to assist in meeting the credit needs of LMI applicants for housing, small businesses and small farms. Loans originated under these programs during this evaluation period were included in the HMDA, small business and small farm loan tables previously shown.

The bank continues its Affordable Housing Program which began in March 1992. The bank has \$2.5 million committed to fund this program which provides loans of up to \$45,000 to individuals with income of \$28,000 or less. The program allows 100 percent financing with no origination or documentation fees, no private mortgage insurance and no points. The applicant must pay closing costs and prepaid expenses. The bank currently has 99 loans outstanding under this program, totaling \$2.4 million. As loans repay, the funds are used to replenish the fund and additional loans are made. Since July 1996, 16 additional loans totaling \$486 thousand have been made.

Sunflower began offering the Kansas First Time Home Buyers Program for new home buyers during the past year. Up to 30 percent of the down payment may be forgiven through a 5-year forgivable loan. To date, the bank has extended four loans totaling \$130,179.

In March 1997, Sunflower introduced a "No Closing Costs" loan product which benefits applicants who may be short of cash for closing costs. There are no income limitations on this program, however, 19 of the 48 loans (40 percent) made under this program were in amounts at or below the maximum purchase price of the Affordable Housing Program. The program has a maximum loan-to-value of 97 percent and is available on three- and five-year Adjustable Rate Mortgages. The borrower is responsible for only prepaid items and the down payment.

In October 1996, Sunflower introduced a 3% Down Home Loan Program, which allows a minimum 3 percent down payment when purchasing a home. Since inception, the bank has made 35 loans totaling \$2,082,115 under the program, 11 of which were in amounts of \$45,000 or less.

Sunflower also offers Federal Housing Authority Title I home improvement loans. Any consumer making home improvements is eligible for this program, however, it is particularly beneficial to LMI borrowers as there are no closing costs if the amount is \$7,500 or less and no equity is required. Most of the loans made under this program have originated in the Ellinwood/Great Bend AA, but are now offered for all locations. From June 1996, 116 loans totaling \$533,149 were made under this program.

Sunflower actively uses Small Business Administration (SBA) loan programs to assist small businesses in obtaining financing. The bank has 71 SBA loans outstanding which total \$3.5 million. Eighty-three percent of the SBA loans are attributed to the bank's nonMSA markets.

Sunflower also offers government-sponsored agricultural loan programs which assist beginning and established farm in obtaining financing. These include the Kansas Development Finance Authority (KDFA) and the Farmers Home Administration (FmHA) Beginning Farmer Loan Programs and the FmHA's Guaranteed Loan Program. The bank's Salina, Colby and Hays locations, combined, have eight loans totaling \$464,217 outstanding under the KDFA Beginning Farmer Loan Program. The bank's Colby and Ellinwood/Great Bend locations have 12 loans totaling \$462,783 outstanding under the FmHA Guaranteed Loan Program. As of this evaluation, no loans had been closed under the FmHA Beginning Farmer Loan Program.

INVESTMENT TEST

Sunflower made an adequate level of qualified community development investments and grants based on the limited opportunities in a majority of the rural communities it serves. To qualify, an investment or grant must meet the "community development" purpose definition previously discussed. Refer to the Glossary of Terms and Common Abbreviations for this definition. The bank made qualified investments and grants totaling \$147,453 during this evaluation period and had \$85,168 outstanding in qualified investments made prior to this evaluation period. None of these investments were innovative or complex, however, they did support community development activities in the bank's AAs. These investments and grants provided support for organizations that: provide services targeted toward LMI individuals and families; promote small business and job creation; and support economic development and revitalization. Some of Sunflower's more significant investments and contributions include:

- C a \$25 thousand investment in a limited liability company which a group of businesses formed to address a housing shortage in Osborne by building two duplexes.
- C a \$25 thousand donation to a Salina not for profit organization which serves primarily LMI families by providing psychiatric services for children with behavioral problems.
- C a donation of real property valued at \$15 thousand to a Salina not-for-profit organization which serves primarily LMI individuals by providing free services for persons who are seeking recovery from chemical dependency.
- C a \$5 thousand donation of a \$15 thousand commitment to a local fund being used to attract a business to Hays which will provide up to 250 new jobs at a starting salary higher than the present local industries.

Other investments which originated in prior evaluation periods include:

- C a \$82,668 qualified investment in a Small Business Investment Company that provides equity capital, loans and management assistance to small businesses in the state of Kansas, including businesses in two of the bank's assessment areas, Sedgwick and McPherson Counties. The bank originally acquired a portion of this investment in 1977 and has acquired additional interests with the acquisition of other banks from 1992 through 1997.
- C in 1992, a \$2,500 donation to a revolving loan fund of a northwest Kansas community development corporation

which provides capital for small businesses through low-interest loans.

The remaining qualified investments and grants provided financial support for approximately 30 qualified community development organizations.

SERVICE TEST

RETAIL BANKING SERVICES:

Sunflower's delivery systems are accessible to essentially all portions of the bank's AAs and are reasonably distributed among the geographies in the AAs. The bank has 21 branches in thirteen communities within its AAs. Four branches are located in Salina, three in Dodge City, two each in Wichita, Hays and Manhattan and one in Russell, Osborne, Victoria, Colby, Junction City, McPherson, Ellinwood and Great Bend. Complete banking services are available at all branch locations. Hours of operation vary by AA and are set for the convenience of the clientele each branch serves. Most of the branches offer extended drive-up hours and Saturday banking. Three of the branches are located in supermarkets in Hays, Manhattan and Dodge City. These locations allow customers to combine routine grocery shopping and banking services. All supermarket locations have extended hours on Saturday and the Dodge City location has Sunday hours. In addition bank officers provide after hours services, by appointment, at all branches. The following table shows the bank's branch distribution by income level of the CT/BNA for its nonMSA AAs. It also shows the percentage of CTs/BNAs in the AA which are low-, moderate-, middle- and upper-income and the percentage of the population that lives in these CTs/BNAs.

NonMSA AAs: Branch Distribution

Income Level of CT/BNA	% of CTs in AA	% of Population	# of Branches	% of Branches
Low	2%	2%	0	0%
Moderate	17%	19%	2	11%
Middle	55%	50%	13	68%
Upper	26%	29%	4	21%
Total	100%	100%	19	100%

The table shows that 11 percent of the bank's nonMSA branches are located in moderate-income CTs/BNAs while 21 percent of the population lives in low- and moderate-income CTs/BNAs. The two moderate-income branches, however, are located in CTs/BNAs which are contiguous to other LMI CTs/BNAs.

For the Sedgwick County AA, the bank's two branches are located in middle- and upper-income CTs. Similar to the nonMSA branches, there are LMI CTs contiguous to the bank's branches. Also, the bank's limited activity in this market (less than 1 percent deposit market share) mitigates the lack of branches in these LMI areas of the AA.

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Sunflower provides other retail service delivery systems which assist customers in conducting banking business. Sunflower provides toll-free telephone banking in all of its markets. Customers can access deposit information and apply for loans 24 hours a day. The bank's Dodge City location has bilingual employees to assist the large Spanish speaking population in understanding banking services.

Sunflower has not closed any branches since the last CRA evaluation. However, the bank acquired five new branches since the last evaluation as a result of its Ellinwood/Great Bend and Dodge City acquisitions. None of these branches were in LMI areas.

COMMUNITY DEVELOPMENT SERVICES:

Sunflower provided a relatively high level of community development services based on the limited opportunities in rural nonMSA markets. Community development services must have a primary purpose of community development and relate to the provision of financial services. The bank has provided several services of this kind. They include.

Community Development Services Provided in All AAs:

- C Free checking accounts which earn interest without any minimum balance requirements.
- C Free checking accounts for small businesses. Sunflower is the only bank in its AAs to offer this service.
- C Free checking accounts for nonprofit organizations.
- C First Kids saving's program for children 12 years and younger with an initial deposit of \$25 to teach and reward children for saving dollars. As part of this program, the bank also offers a certificate of deposit with a low \$100 initial deposit to increase the return on the child's money.

Community Development Services Provided in Individual Markets:

- C Bank representatives conducted the home buyer education part of a series of community meetings organized by the churches in Great Bend. The presentations were targeted to LMI families. The bank presentations covered the home buying process, and the requirements faced in the process.
- C A bank officer presented a workshop to a Barton County Community College business class on obtaining credit, credit reports and money management. Classes are primarily attended by low-rank military spouses.
- C Bank employees put on a student loan seminar in Manhattan to explain the student loan process to potential students needing financial assistance.
- C A bank loan officer serves as a board member for the City of Osborne Economic Development Department which makes loans to help small businesses either expand or get started. During the past year, this group made loans to

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new businesses totaling over \$250 thousand. As a result, there was creation or retention of at least 30 jobs in the Osborne area.

- ☐ A bank officer uses his financial expertise as an advisory director for McPherson County's Small Business Development Association (SBDA). The SBDA is a non-profit organization which assists the County with economic development, including preparing and packaging loans for businesses, and assisting with the growth and expansion of small businesses through performance grants funded through the Kansas Department of Commerce & Housing.
- ☐ A bank officer wrote a letter of support for the City of McPherson's application to participate in the State of Kansas Department of Commerce and Housing's downtown revitalization program. The goal of the program is to use community resources, grants and outside consultants to improve the community with an emphasis on small businesses downtown.
- ☐ A bank officer initiated efforts which led to the City of Ellinwood receiving a government grant which provided loans and grants to LMI families to refurbish or reconstruct substandard housing. The bank officer completed the application for the City. This was the first time the City had ever applied for a grant of this type.
- ☐ A bank officer participates in fund raising activities and serves on the Board of Directors for a local health care foundation in Ellinwood which provides needed medical services and equipment for local LMI individuals and families.
- ☐ The bank provides free space to a tax preparer who assists the elderly and any LMI individual/family with tax preparation, February 1 through April 15th at the Hays and Russell locations.

FAIR LENDING REVIEW

We found no violations of the substantive provisions of the anti-discrimination laws and regulations.